



STATE OF MICHIGAN

DEPARTMENT OF NATURAL RESOURCES  
LANSING

JENNIFER M. GRANHOLM  
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September 22, 2006

The Honorable Michelle McManus, Chair  
Senate Appropriations Subcommittee  
on Natural Resources  
905 Farnum Building  
P.O. Box 30036  
Lansing, Michigan 48909-7536

The Honorable Howard Walker, Chair  
House Appropriations Subcommittee  
on Natural Resources  
1388 House Office Building  
P.O. Box 30014  
Lansing, Michigan 48909-7514

Dear Senator McManus and Representative Walker:

Pursuant to Section 804, PA 154 of 2005, a combined report of the Department of Natural Resources (DNR) timber treatments, during the second and third quarters of Fiscal Year 2005-2006, is attached.

If you have any questions, please feel free to contact me.

Sincerely,

Sharon M. Schafer, Chief  
Budget and Support Services  
517-335-3276

Attachment

cc: Senate Appropriations Subcommittee Members  
House Appropriations Subcommittee Members  
Ms. Jessica Runnels, Senate Fiscal Agency  
Dr. Kirk Lindquist, House Fiscal Agency  
Ms. Mary Lannoye, State Budget Director, Department of  
Management and Budget (DMB)  
Mr. Jacques McNeely, DMB  
Ms. Jennifer Harrison, DMB  
Director Rebecca Humphries, DNR  
Mr. Dennis Fedewa, Chief Deputy, DNR  
Ms. Arminda Koch, Resource Management Deputy, DNR  
Mr. Dennis Fox, Chief of Staff, DNR  
Mr. Rodney Stokes, Legislative Liaison, DNR  
Ms. Lynne Boyd, DNR  
Ms. Jane Schultz, DNR  
Mr. Joseph Taylor, DNR

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**Department of Natural Resources  
FY 2005-06 Timber Report  
Combined Second and Third Quarters**

**Background**

In December, 2005, Michigan's state forest system was certified under both the Sustainable Forest Initiative (SFI) and the Forest Stewardship Council (FSC) third party forest certification protocols. Forest certification protocols require public participation in forest management planning and forest operations. This effort is essential in order for primary wood producers in Michigan to have continued access to national and international markets. The Department of Natural Resources' (Department) investment in forest certification will strengthen Michigan's forest products sector.

The Department's compartment review process has been audited by both the SFI and the FSC and has been recognized as a key public participation mechanism that meets requirements for forest certification.

**FY 2005-06 Timber Treatments**

Timber treatments in a given year are based on decisions made two years prior during the compartment review process. The Fiscal Year 2005-06 plan of work addresses prescriptions on approximately 58,127 acres available for timber sale preparation. Timber managers have developed work plans to put up for sale all 58,127 prescribed acres. Timber sale preparation is done by Department staff and through timber marking contracts with consultants. The Department submitted, for timber sales, 948 acres through the first quarter, 4,928 acres through the second quarter, and 10,324 acres through the third quarter.

In FY 2004-05, competition for open market timber sales was robust; less than 2% of state forest timber sales were "no bid". No bid means no loggers or producers submitted a bid for the timber at the bidding deadline; therefore, it was not sold.

The number of no bid sales began increasing in late 2005, reaching nearly 15% of all state forest timber sales offered by the end of July 2006. Inventory in most mills and yards has remained high (at nearly full capacity) throughout the year. This trend has been reflected in reduced competition and prices for open market timber sales. In addition, standing inventory of timber sold from state forests remains stable near 900,000 cords and available to producers, if needed.

Typically, during the first three quarters of the fiscal year, far fewer acres are prepared for sale than during the last quarter, due to seasonal management activities, such as wildlife management during the deer season. Forest certification activities also had a major impact in driving down the number of acres prepared for timber sales during the first two quarters. At the end of the third quarter, timber sales preparation rose and was comparable to about 95% of the FY 2004-05 level for the same period last year.

Outlook for timber sale preparation in the fourth quarter is mixed, due to extreme national fire conditions and continuing drought in pockets of the state. Michigan's cooperative fire commitments nationally will temporarily reduce staff available for non-

emergency/safety activities, including timber sale preparation. Within Michigan, land management staff is providing crucial fire protection, management, and logistics support. Managers are preparing contingencies to complete all FY 2005-06 plan of work timber sales recognizing that some sale preparation could be delayed until late 2006.

Demand for timber is expected to continue to drop.